

17.01.03 Commercial Development of Intellectual Property

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Regulation Summary

This regulation describes the process for commercial development of The Texas A&M University System's (system) intellectual property (IP).

Definitions

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Regulation

1. LICENSING OF INTELLECTUAL PROPERTY TO THIRD PARTIES

Licensing of intellectual property to third parties, which may include IP creators, is the most common strategy used for technology transfer. In the case of exclusive licensing, the third party is given the necessary rights to justify the often significant investment of time and resources in the commercial development of the intellectual property. Given the breadth of research taking place within the system and the diversity of the intellectual property created, each license agreement is somewhat unique to the intellectual property being licensed. However, there is a need to ensure consistency with respect to certain legal principles in each agreement.

1.1 Texas A&M Technology Commercialization (TTC), the System Office of General Counsel (OGC) and member commercialization offices will cooperatively develop model license agreements for licensing system intellectual property. Any exceptions to the model agreements, other than special terms set out in a member-approved sponsored research agreement that do not alter the normal intellectual property licensing terms approved by OGC, must be further approved by OGC as well as by any member(s) providing financial support for protection of the licensed invention or intellectual property. However, OGC at its sole discretion may require OGC approval of a specific or all agreements concerning intellectual property from a member, a member commercialization office or TTC.

1.2 The member has the primary responsibility and authority, with assistance from OGC, for negotiating with third parties having an interest in using, developing or otherwise

commercializing intellectual property resulting from works for hire and member-owned trademarks. OGC will review all licenses and other agreements related to the commercialization of intellectual property for compliance with state law and system policy. All agreements are subject to review and approval by OGC as to form and legal sufficiency.

- 1.3 Commercial distribution of system-owned tangible research property (TRP) will be managed by the respective member commercialization office(s) subject to TTC oversight or TTC. TTC and the appropriate member commercialization office(s) must ensure that the TRP distribution agreements contain provisions which address proper use, limits on IP creator's and member's liability for the TRP or products derived therefrom and other necessary terms. OGC will also review any TRP distribution agreements for legal sufficiency and compliance with state law and system policy. Sharing of any income resulting from the distribution of commercialized TRP will be made in accordance with System Regulation *17.01.04, Distribution of Royalties, License Fees and Sale Proceeds from Licensing*.
- 1.4 Licensing of multiple intellectual properties included in a license agreement will require a multiple IP relative weight (importance/value) agreement between and among the IP creators still employed at the system or any of its members. This agreement will set forth the relative weight of each of the intellectual properties included in a single license agreement. This multiple IP relative weight agreement for IP creators does not change the previously agreed upon multiple IP creators sharing agreement for a particular intellectual property. (See System Regulation *17.01.02, Evaluation and Protection of Intellectual Property*.) However, this multiple IP relative weight agreement for IP creators affects the distribution of the IP creators' portion across all of the intellectual properties included in a single license agreement. (See System Regulation *17.01.04*.) In the event that the IP creators still employed at the system or any of its members cannot agree upon an appropriate multiple IP relative weight agreement within 60 days of the signing of such a license agreement, the IP creators' member chief executive officer(s) (CEO) or designee(s) will decide for the IP creators the relative weight of the intellectual properties included in the license agreement. Such a decision by the member CEO(s) or designee(s) will be final and binding on all the IP creators for the intellectual properties in the subject license agreement. If the member CEO(s) or designee(s) cannot decide on the relative weight of the intellectual properties included in the license agreement within 60 days after the IP creators' failure to reach a multiple IP relative weight agreement, the chancellor or designee will decide for the IP creators the relative weight of the intellectual properties included in the license agreement and such decision will be final and binding on all IP creators and members.
- 1.5 Licensing of multiple intellectual properties in a license agreement involving multiple members will require a multiple IP relative weight agreement between the members. This agreement will set forth the relative weight of each of the intellectual properties included in a single license agreement in relation to the members, which will be used as part of a distribution formula for the members' portion of a distribution related to the license agreement. (See System Regulation *17.01.04*.) This multiple IP relative weight agreement for members does not change the previously agreed upon members sharing agreement for a particular intellectual property. (See System Regulation *17.01.02*.) In the event that the members cannot agree upon an appropriate multiple IP relative weight

agreement for the members within 60 days of the signing of such a license agreement, the chancellor or designee will decide for the members the relative weight of the intellectual properties included in the license agreement and such decision will be final and binding on all members.

- 1.6 If the licensing of intellectual property would involve multiple member commercialization offices due to the IP creator(s)' member(s) or IP creator(s)' appointments, the relevant member commercialization offices will agree on which member commercialization office will take the lead in licensing and commercializing the intellectual property. In the event the relevant member commercialization offices cannot agree on which member commercialization office will take the lead on licensing and commercialization, the member commercialization offices' member CEOs or their designees will decide. If those member CEOs cannot reach an agreement as to which member commercialization office will take the lead on licensing and commercialization, the chancellor or designee will decide on which member commercialization office will take the lead on licensing and commercialization and such decision will be final and binding on all members and member commercialization offices.

2. LICENSING GUIDELINES

The following guidelines are applicable to license agreements with private entities including those formed primarily for the purpose of developing and/or commercializing system-owned intellectual property. OGC may approve exceptions to these guidelines on a case-by-case basis.

Licensing guidelines include:

- (a) No entity will be granted the exclusive right to the development and/or commercialization of all intellectual property created at a member. Agreements should grant rights only under specified projects;
- (b) If an entity is granted the exclusive rights with respect to a particular technology, product, process, utility, methodology or other item of intellectual property, the agreement should provide that such rights will revert to the system in the event the entity fails to develop and commercialize the intellectual property within a specified period of time that is appropriate to the particular circumstances as determined by the respective member commercialization office in coordination with TTC;
- (c) In order to help prevent conflicts between licensees concerning overlapping rights to intellectual property: 1) no entity may be granted license to background intellectual property without approval from OGC; and 2) TTC and each member commercialization office will perform an investigation of potential overlap of intellectual property to be licensed against existing licenses, options, and/or grants; and
- (d) The system, the member and the employees of each should be protected and indemnified from liability arising from the development, marketing or use of the particular intellectual property.

License agreements will contain such other provisions as may be determined by TTC, OGC and the respective commercialization office to be in the best interest of the system and/or member. However, a member's interest cannot supersede the interests of the system.

Member commercialization offices, subject to final approval by TTC, or TTC, may negotiate agreements for intellectual property.

3. EQUITY AS A CONSIDERATION IN LICENSING

TTC or the member commercialization offices with approval from TTC may negotiate an equity interest in lieu of or in addition to royalty and/or other monetary consideration as part of an agreement relating to rights in intellectual property owned by the system or in which the system has an interest. In addition, TTC and/or a member may invest money or in kind support with a licensee that has licensed intellectual property owned by the system or in which the system has an interest in return for an equity interest in such licensee's company (hereinafter referred to as Investment Equity) through a process defined by OGC. All Investment Equity will be owned and held by the system. If a member(s) invests money or in kind support in exchange for such Investment Equity, that Investment Equity related to the member(s)'s investment will be held by the system for the benefit of the member(s). As specified in System Policy *17.01, Intellectual Property Management and Commercialization*, the system is not restricted in the percentage of equity it may take in a company as a part of an agreement relating to rights in intellectual property owned by the system.

Except for Investment Equity, the distribution of income from equity received as consideration for a license agreement will be distributed in the same manner as royalties and license fees as described in System Regulation *17.01.04*. The system may, at its discretion (or with member CEO approval if the equity is held on behalf of one or more members), distribute shares of equity when appropriate. Should the system elect not to distribute shares, it will control the disposition of equity at its sole discretion, unless that equity is held on behalf of one or more members, in which case member(s) CEO approval will be required. This may include agreeing to receive the equity interest under terms that restrict its ability to sell, distribute or otherwise deal with the equity interests.

As stated in Texas Education Code, Section 153.007, and except as otherwise provided by law, the system Board of Regents, the system, members and employees of the system do not owe a fiduciary duty to any person claiming an interest in consideration received by the system or a member in exchange for intellectual property.

Individuals subject to this policy should also refer to System Regulation *31.05.01, Faculty Consulting and External Professional Employment*, regarding equity ownership.

4. RESEARCH SUPPORT AS CONSIDERATION IN LICENSING

If a member, with the concurrence of the system, TTC and the respective member commercialization office, accepts research support in the form of a sponsored research agreement or unrestricted grant as part of a licensing agreement relating to rights in intellectual property owned by the system in addition to or in lieu of royalties, license fees, equity and/or other monetary consideration, the IP creator(s) will have no entitlement to receive a share of the research support or grant as personal income.

5. APPROVAL AND SIGNATORY FOR INTELLECTUAL PROPERTY AGREEMENTS

All intellectual property documents concerning intellectual property owned by the system or in which the system has an interest must be approved and signed by the chancellor or designee who has been delegated the power to sign for the system for commercializing system intellectual property.

6. ASSIGNMENT OF EXISTING INTELLECTUAL PROPERTY

The assignment of existing intellectual property to third parties (non-system or members) must be approved by the chancellor or designee through a process defined by OGC.

7. WAIVER OR RELEASE OF SYSTEM RIGHTS

Subject to any federal research, state research or other sponsorship agreements and with appropriate approval from the sponsor, following notice and approval by the TTC and member CEO(s) or designee(s) related to the intellectual property to be released, TTC may waive or release the system's rights to specified intellectual property to the IP creator(s), clearing the way for the IP creator(s) to seek ownership and pursue commercialization. At any time, an IP creator(s) may request a waiver or release of system rights in writing to TTC or the respective member commercialization office and copy the IP creator's member CEO or designee. The following provisions will apply to any waiver or release of system rights.

- 7.1 The system must retain a perpetual, royalty-free license to use the intellectual property and any corresponding patents, copyrights, trade secrets, service marks or trademarks for research and educational purposes.
- 7.2 The system requires that the cost of legal protection that has not been reimbursed by a licensee be paid back to the system from commercialization proceeds at a rate determined by TTC and the respective member commercialization office at the time of waiver or release.
- 7.3 In the case of significant use of resources as set forth in System Regulation *17.01.01, Ownership of Intellectual Property and Tangible Research Property*, the system may elect to receive a share, to be negotiated at the time of waiver or release of system rights, of proceeds generated from commercialization of the intellectual property after the IP creator recovers documented out-of-pocket cost of legal protection for the intellectual property. If there was not a significant use of resources, no such share of proceeds will be sought. The use of significant resources will be resolved by the member CEO or designee.
- 7.4 In the case of a waiver or release of system rights to the IP creator(s), the IP creator(s) will not receive a share of the proceeds received by the system in consideration of the waiver or release of the system's rights.
- 7.5 In the case where IP creator(s) are owners or officers of an entity that previously licensed the specified intellectual property, such waiver or release of system rights to the IP creator(s) requires system approval in a process defined by OGC.

7.6 All waiver or release agreements must be approved by OGC.

7.7 Any IP creator(s) receiving a waiver or release of system rights should review potential conflicts of interest with the IP creator(s)'s department head. For additional information on conflicts of interest, see System Policies *07.01, Ethics*, and *07.03, Conflict of Interest, Dual Office Holding and Political Activities*, and System Regulations *15.01.03, Financial Conflicts of Interest in Sponsored Research*, and *31.05.01*.

8. TECHNOLOGY COMMERCIALIZATION FUNDS

The chancellor or designee may establish one or more funds to support the discovery, creation, authorship, development, protection and/or commercialization of system intellectual property.

Related Statutes, Policies or Requirements

[Tex. Educ. Code § 51.912](#)

[Tex. Educ. Code Ch. 153](#)

[System Policy 07.01, Ethics](#)

[System Policy 07.03, Conflicts of Interest, Dual Office Holding and Political Activities](#)

[System Regulation 15.01.03, Financial Conflicts of Interest in Sponsored Research](#)

[System Policy 17.01, Intellectual Property Management and Commercialization](#)

[System Regulation 17.01.01, Ownership of Intellectual Property and Tangible Research Property](#)

[System Regulation 17.01.02, Evaluation and Protection of Intellectual Property](#)

[System Regulation 17.01.04, Distribution of Royalties, License Fees and Sale Proceeds from Licensing](#)

[System Policy 31.05, External Employment and Expert Witness](#)

[System Regulation 31.05.01, Faculty Consulting and External Professional Employment](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

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